

## **CLARK COUNTY PUBLIC FACILITIES DISTRICT PROCEEDINGS**

**FEBRUARY 19, 2003**

**CLARK COUNTY, WASHINGTON**

The Clark County Public Facilities District (PFD) convened in the Franklin Center hearing room, Vancouver, Washington.

### **MEMBERS PRESENT**

Paul Winter, Phil Parker, Debbie Abraham, Jerry Kolke, and Brett Wilkerson.

### **MEMBERS ABSENT**

None.

### **STAFF PRESENT**

Bronson Potter and Tina Redline.

### **CALL TO ORDER**

Chair Paul Winter called the meeting to order at 5:06pm.

### **PUBLIC COMMENT**

None

### **APPROVAL OF MINUTES**

Moved by Jerry Kolke, seconded by Debbie Abraham to approve minutes from February 4, 2003.

### **OVERVIEW OF INTERLOCAL AGREEMENTS**

Bronson Potter stated that the draft interlocal agreements were still not available.

Bronson introduced David Findlay and Hugh Spitzer and asked that they explain to the Board the City of Vancouver proposed Convention Center/Hotel Financing Structure drafted on December 6, 2002.

Hugh Spitzer stated that the DRA, which is a public development authority of the city, issues bonds to finance the hotel and conference center. By law the City PFD can develop and build a conference center and the city can develop and build a hotel, therefore they have slightly different jobs. The DRA issues the bonds through a trustee. From a practical standpoint, the DRA is going to funnel bond proceeds to the PFD to build the conference center and to the city to build the hotel. The DRA will hire a design/build organization to build the conference center and hotel. The bond trustee will take care of getting the bonds out through the underwriters and to the public. The bond trustee will take the money from the underwriters, will create a project fund that will dispense money during the construction phase to the design/build organization. The trustee will hold money from the beginning for capitalized interest in which it will be paying during construction. As the bonds are paid off the bond trustee will be receiving monies. The trustee will also be receiving money from other sources such as City PFD taxes, County PFD taxes, hotel/motel tax, and eventually net revenues from the hotel and conference center. Hugh Spitzer stated that the bond trustee will be there through the life of the bond and there are very stringent rules as to how the bond proceeds are spent.

Hugh Spitzer explained that there will be a document called Official Statement for the Bonds. This document will need to be reviewed and signed-off on by the County PFD Board. He said that the main

issue will be to create a contract with the City PFD. He said in this agreement his preference would be that the County PFD have no connection with the bonds and only a connection with the City PFD. He explained that he felt it was important that the contract shield both the County PFD and the County from the details of the transaction and from any liability.

Bronson Potter asked who owns the improvements and who owns the dirt.

Hugh Spitzer stated that the DRA will own the hotel. The DRA will lend money to the City PFD, the PFD will then own the conference center. David Findlay stated that the main issue is that the city will not own the assets during the term. Findlay also said that when all the bonds are paid off the assets will then be turned over to the City.

Hugh Spitzer noted that the hotel operator, Marriott, has a management contract, which is driven by federal tax rules, in which the bonds are taxed exempt. There is a 15-year limit on the hotel management agreement. Within that contract the operator gets paid a fixed amount and subordinate fees as well. Hugh Spitzer noted that the hotel's operating rules are constrained by federal tax rules which basically say that a publicly financed facility needs to benefit the public.

#### *FLOW OF FUNDS:*

Hugh Spitzer presented draft documents to the Board that represent the flow of funds after the proposed project has been constructed and is up and running.

Hugh Spitzer said that the money that comes from the operation of the conference center and hotel will first be used to pay operating costs. The net revenues (cash flow) will then go to the bond trustee.

Brett Wilkerson asked if the management fee is inclusive of food and beverage. David Findlay stated that he believed that there was only one management fee.

Hugh Spitzer stated that, along with the net revenues from the hotel/conference center, the City Hotel/Motel tax (2%), County PFD tax credit, and City PFD tax credit will go to the bond trustee. After this has occurred the money will flow as follows: Series A Bond Debt Service ? FF&E and Operating Reserves (4%) ? Subordinate Management Fee (1%) ? Subordinate FF&E (1%) ? Series B Bond Debt Service ? Supersubordinate Management Fee (.5%) ? Cash Trap Fund Deposit (Capital Fund Reserve) ? Distribution to County ? Distribution to City ? Payment to CVB ? Payment to City PFD.

David Findlay indicated that whatever the cash reserves are at the end and the county PFD is done, if there is money left over the money will go to the city to operate the hotel/conference center. He stated that the county is not taking any risk therefore the county will get back whatever has been paid into the PFD plus any interest if it is delayed.

Debbie Abraham asked how often the distributions are made. David Findlay stated that the distributions would be made annually.

Debbie Abraham asked for clarification as to whether the county of county PFD will receive the distribution. David Findlay stated it would be the county. Paul Winter stated that it has yet to be decided whether the distribution will go to the county or the county PFD.

Debbie Abraham asked if the county collects \$600,000 in sales tax rebate the money then goes toward the project. Assuming that the sales tax revenue will increase, will there be an escalation on the bond payments. Hugh Spitzer said the answer is yes. David Findlay indicated that we would be not able to keep anything over and above the amount needed to meet bond coverage.

Paul Winters asked if, in the event the county PFD approved a hotel lodging tax (and it was subsequently approved by the voters), would it stay within the county PFD and get used for the fairgrounds. David Findlay indicated that it would.

Brett Wilkerson expressed his personal opinion regarding the project. He said that he believes it is not a hotel/convention center, but rather it is a hotel with meeting space. He stated that he would argue that it is not to the good of the community. Brett said it will also substantially impact his hotel. He also believes that the study that has been done is invalid.

Paul Winter clarified that there are two issues: 1) an invalid study, and 2) the project is to the detriment of hotel owners. Brett Wilkerson said that is correct.

Bronson Potter asked Brett Wilkerson his opinion on Steve Burdick's point that this is also funding CVB at \$350,000 a year. Brett Wilkerson said that is in line with what we should have been doing five years ago.

David Findlay asked if it is fair or appropriate for the county PFD to express any concerns to the City at this point. Bronson Potter said the PFD as a body could direct questions to the city about assumptions of the study. Bronson said that an agenda item at the next meeting could include a discussion of the market study and whether the group as a body wants to direct any questions or request for additional information to the city.

#### **NEW BUSINESS**

Phil Parker asked what the intent of the Board was when they included an item in the By-Laws regarding compensation. Bronson Potter stated that the Board could receive \$50 per meeting per diem. Bronson stated that, if the Board wanted to adopt a resolution regarding compensation, they could adopt the county's policy in this regard.

#### **GOOD OF THE ORDER**

Phil Parker stated that he would like to see a high-rise parking garage included in the design of the master plan instead of paving ten acres of earth for parking.

#### **ADJOURNMENT**

Moved by Jerry Kolke, seconded by Brett Wilkerson, and approved to adjourn. The PFD Board adjourned the meeting at 7:16 p.m.

The next meeting will be on 17MAR03 at the Clark County Public Service Center, 1300 Franklin Street, Vancouver.